



# Regeneration revival

## interim report

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## Chartered Institute of Housing

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals and their organisations with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: [www.cih.org](http://www.cih.org)

## Poplar HARCA

Poplar HARCA (Housing and Regeneration Community Association) is a Registered Social Landlord that owns and manages the retail development around Crisp Street Market as well as around 9,000 homes in Poplar, East London. Poplar HARCA aims to make Poplar a better place to live and work. The housing association also runs many community activities through its network of neighbourhood centres and works with a range of partners to deliver services to local residents including employment and training advice, fitness classes, youth activities, elders groups and so much more.



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## Where are we now?

**Approaches to regeneration have changed significantly since 2008. Following the economic downturn tried and tested practices became financially unviable and much regeneration activity ceased. After the 2010 general election, the coalition government was sceptical about nationally-backed capital intensive regeneration schemes and ended specific programmes targeting the most disadvantaged neighbourhoods, such as the Working Neighbourhoods Fund and the Housing Market Renewal programme.**

Instead the approach followed by the coalition government was two-fold. On one hand Local Enterprise Partnerships (LEPs) were given responsibility and devolved funding for housing and infrastructure and were asked to develop multi-year strategies for economic growth. In reality regeneration is not a prominent part of the 39 LEPs' strategic plans.

On the other hand City Deals encourage local authorities to co-operate on a city-area basis on key economic development, regeneration and transport policies. These initiatives focus on promoting economic growth where conditions are favourable but do not target specifically disadvantaged areas, therefore leaving a gap.

The Coalfields Regeneration Trust and the Coastal Communities Fund are an exception to the approach above, as they focus on community renewal in areas of particular economic decline and high unemployment. A £24m Coastal Communities Fund was set up to back 26 coastal community projects.

There is a clear consensus within the housing sector that there is a need for a renewed focus on regeneration, and that such a focus could help the government to achieve some of its wider objectives, such as:

- increasing housing supply
- generating employment opportunities and

reducing welfare dependency

- addressing regional imbalances in the economy
- devolving more powers to a regional level.

This interim report, published jointly by the Chartered Institute of Housing and Poplar HARCA, is based on research into the potential for a renewed national focus on regeneration. It sets out our initial findings and has been informed by a combination of round table discussions, interviews, a literature review and an online survey.





## What might a renewed national focus on regeneration look like?

In the absence of a national strategy for regeneration we lack a common understanding of what regeneration is and how desired outcomes might be achieved. We consider that regeneration includes:

- improving economic activity, creating jobs and supporting social enterprise
- increasing housing supply (including bringing empty homes back into use), housing quality, affordability and/or choice
- achieving a better mix of house sizes/tenures and creating successful, balanced communities
- stabilising weak housing markets
- delivering improvements to the built environment, in terms of design and/or improved infrastructure and amenities
- delivering improved outcomes in relation to other areas of social policy, such as health, education and crime.

The relative importance of these objectives and how they might be achieved will vary considerably depending on local circumstances and so whatever approach government takes must be flexible enough to work in localities with widely differing contexts, needs and drivers. Participants in our research therefore generally felt that the role of national government was not to prescribe but to set out an overall vision or strategy, while leaving local or regional policy makers the freedom to shape the detail of how this is implemented, and where possible to support them to overcome specific practical barriers, such as funding and land availability.





## What drives successful regeneration?

Although the answer is more likely to be of a local nature and therefore vary from one place to another, we found that there are a number of recurring factors that can lead to successful regeneration:

- local leadership and an agreed shared vision for the area
- local residents and communities taking ownership and innovating to find solutions
- local agencies/bodies (mostly local authorities) selecting a partner and building a strong partnership for delivery
- setting up a local delivery vehicle (in the form of a local housing company for example) that can deliver the vision and secure funding
- having a long term plan for the area that can range from the level of neighbourhood renewal to that of strategic planning
- securing funding for all stages of the regeneration activity and in particular for up-front costs and infrastructure provision
- political buy-in and community backing
- extensive engagement of local groups and residents
- a planning system that facilitates access to land for regeneration activity
- schemes that are viable and present a robust business case to attract a number of funding streams
- clear links with transport as a major driver of economic activity.

## Who should lead on delivering this regeneration activity?

Local leadership is essential to getting regeneration projects off the ground, establishing effective partnerships, securing finance and providing much-needed local accountability. Regeneration doesn't happen without strong will and commitment. It also requires effective structures or mechanisms at a sub-regional level (usually across several local authority geographies) for various agencies to jointly carry out long term strategic planning.

The government's current approach to facilitating this kind of sub-regional planning is generally permissive, rather than prescriptive, and so the specific structures and the roles of individual agencies are likely to vary from one area to another. For example, for some this may be a combined authority with a city-region mayor and devolved powers, for others a local enterprise partnership (LEP) may be more effective.

Because the government's approach is generally permissive, the onus is on local organisations such as councils, LEPs, community groups or other organisations such as housing associations to organise themselves to provide the leadership and vision that is needed to enable regeneration activity to take place. Housing organisations can play a central role in regeneration as this kind of activity is part of their business model. Working with other local partners they can drive schemes forward. In practice some areas are currently better prepared for this than others, but it is clear that devolved powers at the local level are likely to be available for those who are able to respond.

## Can a regeneration revival help increase housing supply?

**In some areas regeneration can help support a much-needed step change in the number of new homes built. Participants in our research were broadly supportive of this, while stressing that increasing the density of developments will not be appropriate or desirable in every area. Where it is possible, lessons must also be learned from the past to ensure that schemes remain desirable places to live over the long term, for example by ensuring the right tenure mix and high quality design of communal areas.**

Nevertheless, in many areas it is possible to increase housing supply through well-designed densification and a national focus on regeneration could be expected to deliver a net increase in homes overall.

Participants in our research were keen to see increased use of 'air rights' housing (where housing is provided above other amenities, such as a supermarket or health centre), where appropriate. As well as making more efficient use of land, air rights can also improve the integration of housing with other important elements of a regeneration scheme, such as employment opportunities.

Generally making better use of land can help drive more regeneration activity. Local authorities can make more sites available by using their master planning powers in their area and create partnerships with private developers and housing providers. However the picture is not consistent and there is scope for local authorities to do more with their landholdings. Additionally making more use of public sector land from agencies such as the Ministry of Defence (MoD) and the NHS could unlock more sites for regeneration.

Relative to the issue of access to land is the fragmented nature of land holdings between private and public bodies, which can make it difficult to secure big enough sites to make regeneration projects viable. The opportunities brought by adjoining land owners or developing joint ventures between the private and public sector can allow for land release at volume

and therefore building at scale. In addition the use of compulsory purchase powers by local authorities and big infrastructure projects can help secure control of bigger sites.

It has been suggested that some forms of incentives for landowners in the form of grants/loans on easy terms for them to bring land forward or using coercive measures such as a vacant land tax could help.



## How should a regeneration revival be financed?

### **Most participants in our research said that funding presented a challenge at some stage of their regeneration activity.**

Generally for regeneration projects to succeed they require early stages funding as well as longer-term finance as most projects span over 10 to 20 years.

The early stages demand for funding and the difficulty in accessing traditional bank development finance, coupled with the many up-front costs that create pressure on any organisation's cash-flow, can slow down many regeneration programmes. Funding mechanisms that can alleviate this would be helpful in encouraging more regeneration activity.

On the other hand, regeneration schemes can face gaps in funding, as funding streams are withdrawn or schemes are no longer viable if the market conditions are not favourable.

From our conversations with housing professionals we have devised a menu of options that can be appropriate for different schemes and at different stages of each scheme:

- short-term help with pump-priming – most regeneration projects will need some form of pump-priming to kick-start the project and help with decontamination of brownfield sites or leaseholder buy-outs. This could be secured either in the form of direct private investment or through a government recoverable loan that is paid off from the future income stream
- long-term borrowing capacity – some of the organisations we spoke to rely on their general borrowing to finance their regeneration activity, to

deliver more homes and cross-subsidise affordable homes by delivering homes for market sale and market rent. Ealing Council is working with registered social landlords and other partners on its eight regeneration schemes in the borough. One of the schemes is being delivered by housing association L&Q which is using a cross-subsidy model to deliver affordable homes, homes for rent and for sale.

- funding in the form of government grant – some form of subsidy will be needed to make schemes 'stack up' in particular in areas where land values are not very high and the uplift in value from regeneration might not deliver a sufficient return. In North Prospect in Plymouth, Homes and Communities Agency (HCA) grant has been used. Grant would also help dealing with high up-front costs.
- unlocking land values through market sales – social landlords purchasing sites that are owned by local authorities or other public bodies and securing other forms of funding (general borrowing, own reserves) can enable regeneration schemes to happen. An example of this is Foxhill regeneration in Bath where Curo Group purchased a site from the MoD and is delivering regeneration on this and an adjoining site it owns, based on its vision and business plan.
- equity funding (similar to the funding arrangements for the new build element of help to buy) or a revolving loan fund (similar to build to



rent) – this type of funding is secured on a scheme-by-scheme basis and can provide long-term finance in return of a guaranteed rental stream. It can also provide the finance needed for early stages cash-flow issues. Barking and Dagenham has used this model to deliver affordable homes through a special purpose vehicle to secure private finance. The council put in the land and institutional investor Long Harbour funded the scheme.

- direct investment from private partners - as part of a joint-venture where the private investor shares the risk of land values but also on the resulting income streams for the new delivered units (Legal & General are currently using this model for schemes across the country)
- setting up local housing companies – these are also called ‘special purpose vehicles’ where local authorities put in land they own and can create an investment vehicle that allows them to borrow off balance sheet. These vehicles are a way for local authorities to borrow more than their borrowing caps allow them to but also not to increase their overall debt levels. A Local Government Association report sets out further examples of how local authorities are supporting housing investment
- devolved funding to combined authorities – although this is not a new form of funding, it does represent an opportunity for local authorities around a city-region to come together to form a combined authority and have an elected mayor.

The combined authority will receive government funding and determine how it is used locally instead of bidding for government funding on a project-by-project basis

- HCA grant devolved to regeneration boards – another form of using public grant would be to devolve funding from the national investment agency to local regeneration boards that have developed plans and present viable local regeneration schemes
- European Investment Bank (EIB) funding – for larger organisations borrowing directly from EIB can represent another means of accessing credit on cheaper terms.



## What happens next?

This document provides some initial findings from our research. It will be followed by a more detailed report, including case study examples, making the case for a renewed national focus on regeneration.

However to win government support it is likely that we will need to quantify the likely impact of our offer. A further stage of this work will therefore seek to estimate the potential for a renewed national focus on regeneration in terms of its outputs, outcomes (housing supply, social and economic) and resource requirements. This work will then inform our efforts to influence the policy and spending priorities of the new government from 2016-17.









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